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### LOK SABHA

The following Bill was introduced in Lok Sabha on the 30th August, 1957:—

BILL No. 66 OF 1957

*A Bill further to amend the Life Insurance Corporation Act, 1956.*

BE it enacted by Parliament in the Eighth Year of the Republic of India as follows:—

1. (1) This Act may be called the Life Insurance (Second Amend- Short title  
and com-  
mencement.  
ment) Act, 1957.

5 (2) It shall come into force on such date as the Central Govern-  
ment may, by notification in the Official Gazette, appoint.

31 of 1956.

2. In section 2 of the Life Insurance Corporation Act, 1956 (here- Amendment  
of section 2.  
inafter referred to as the principal Act),—

10 (i) after clause (6), the following clause shall be inserted,  
namely:—

‘(6A) “Investment Board” means the Life Insurance  
Funds Investment Board established under section 23A;’;

(ii) after clause (8), the following clause shall be inserted,  
namely:—

15 ‘(8A) “securities” includes shares, scrips, stocks, bonds,  
debentures, debenture stocks, or other marketable securities  
of a like nature in, or of, any incorporated company or other  
body corporate and also Government securities;’.

20 3. In section 6 of the principal Act, in clause (b) of sub-section Amendment  
of section 6.  
(2), for the words “subject to the rules”, the words “subject to the  
provisions contained in Chapter VA and to the rules” shall be sub-  
stituted,

Amendment  
of section  
19.

4. In section 19 of the principal Act, sub-section (2) shall be omitted.

Insertion of  
new Chapter  
VA.

5. After section 23 of the principal Act, the following Chapter shall be inserted, namely:—

### “CHAPTER VA

5

#### INVESTMENT OF LIFE INSURANCE FUNDS OF THE CORPORATION

Establish-  
ment and  
incorpora-  
tion of the  
Investment  
Board.

23A. (1) With effect from such date as the Central Government may, by notification in the Official Gazette, appoint, there shall be established a Board called the Life Insurance Funds Investment Board.

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(2) The Investment Board shall be a body corporate having perpetual succession and a common seal with power to acquire, hold and dispose of property and to contract, and may by its name sue and be sued.

(3) The Investment Board shall consist of the following 15 members,—

(a) the Governor of the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934, who shall be the Chairman of the Investment Board; 2 of 1934.

(b) the Chairman of the Central Board of the State Bank of India constituted under the State Bank of India Act, 1955; and 23 of 1955.

(c) the Chairman of the Corporation.

(4) If, for any reason, the Chairman of the Investment Board or any other member thereof is unable to attend any meeting of the Board, the Chairman or such other member, as the case may be, may depute any other person to attend the said meeting, and the person so deputed shall, for all the purposes of the said meeting, be deemed to be a member of the Investment Board.

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(5) At every meeting of the Investment Board, the Chairman of the Board or in his absence the Chairman of the Central Board of the State Bank of India or in the absence of both, the Chairman of the Corporation shall preside; and if at any such meeting the Chairman and the other members of the Investment Board are all absent, the persons deputed to attend the said meeting under sub-section (4) shall elect one from among themselves to preside thereat. 35

(6) Subject to the provisions contained in this section, the Board shall have power to regulate its own procedure.

23B. As from the commencement of the Life Insurance Corporation (Second Amendment) Act, 1957, the functions of the Corporation in relation to the investment of its funds in securities shall be discharged by the Investment Board.

Functions of the Corporation in relation to investment in securities to be discharged by the Investment Board.

23C. (1) The Corporation shall from time to time transfer in the prescribed manner to the Investment Board from and out of its funds all such sums of money as are not required by the Corporation for the discharge of its functions or for the performance of its duties under this Act, and the sums so transferred shall, subject to any rules that may be made by the Central Government in this behalf, be invested by the Investment Board in such securities as it may think fit and in making any such investments the Investment Board shall have due regard to the interests of policyholders of the Corporation.

Transfer of funds from the Corporation to the Investment Board for investment in securities.

(2) All investments in securities, whether made by the Corporation before the commencement of the Life Insurance Corporation (Second Amendment) Act, 1957, or transferred to and vested in the Corporation under section 7 shall, on and from such commencement, be deemed to have been transferred to and vested in the Investment Board, and shall, notwithstanding anything to the contrary contained in this Act, be deemed to have been made by and in the name of the Investment Board.

(3) If any question arises as to whether any security is a security which by virtue of sub-section (2) has been transferred to and vested in the Investment Board, the question shall be referred to the Central Government whose decision shall be final.

23D. The Investment Board may, for the purpose of advising it on matters relating to the investment of the funds of the Corporation in securities, constitute at each of the following places, namely, Bombay, Calcutta and Madras, an Advisory Committee consisting of not more than five members who shall be persons having special knowledge and experience in respect of financial matters, particularly matters relating to business on the stock exchange.

Committees to advise the Investment Board.

Ministerial  
assistance to  
the Corpora-  
tion.

23E. (1) The Investment Board may, for the purpose of enabling it to efficiently discharge its functions, require the Corporation or any of its employees to assist it in any matter connected with the investment of the funds of the Corporation transferred to it under this Act, or employ such number of persons and on such terms as it thinks fit, and all the administrative and other expenses of the Investment Board in the discharge of its functions under this Act shall be payable by the Corporation from and out of its funds. 5

(2) Where the Corporation or any of its officers is required to assist the Investment Board in relation to any matter under sub-section (1), the Corporation or the officer, as the case may be, shall be bound to do so.

Power of  
Investment  
Board to call  
for informa-  
tion.

23F. The Investment Board may call for such information as it may require from the Corporation in relation to any matter connected with investments of the funds of the Corporation, and where the Corporation is called upon to furnish such information, the Corporation shall be bound to furnish such information. 15

Accounts of  
the Invest-  
ment Board  
and their  
audit.

23G. (1) The Investment Board shall maintain in the prescribed manner accounts relating to— 20

(a) all sums of money transferred to the Investment Board by the Corporation from and out of its funds for the purpose of investment in securities;

(b) all investments in securities transferred to and vested in the Corporation under sub-section (2) of section 23C; 25

(c) all investments in securities made by the Investment Board;

(d) all income accruing from any of the investments referred to in this sub-section. 30

(2) The Investment Board shall have its accounts audited at prescribed intervals by auditors duly qualified to act as auditors of companies under the law for the time being in force relating to companies and shall, as soon as may be after the end of each financial year, prepare and submit to the Central Government in such form as may be prescribed a report in relation to the investments made by it under this Act during the period under report. 35

(3) The Investment Board shall prepare in the prescribed form a balance-sheet and a profit and loss account for every 40

such period for which the Corporation prepares its balance-sheet and a profit and loss account, and shall forward a copy of such balance-sheet and profit and loss account to the Corporation.

- 5 (4) In preparing its balance-sheet and profit and loss account the Corporation shall treat the profits and losses of the Investment Board as the profits and losses of the Corporation.

10 23H. Notwithstanding anything contained in any law for the time being in force relating to income-tax, super-tax or wealth-tax, the Investment Board shall not be liable to pay income-tax, super-tax or wealth-tax on any income, profits or gains or assets of the Investment Board, and for the purposes of any such law the income, profits or gains or assets of the Investment Board shall be deemed to be the income, profits or gains or assets of the Corporation.”

Exemption from tax.

- 15 6. In section 43 of the principal Act, in sub-section (2), the figures and letter “27A” shall be omitted.

Amendment of section 43.

7. In section 47 of the principal Act, for the words “of the Corporation”, the words “of the Corporation or of the Investment Board” shall be substituted.

Amendment of section 47.

- 20 8. In section 48 of the principal Act, in sub-section (2),—

Amendment of section 48.

(i) for clause (g), the following clauses shall be substituted, namely:—

25 “(g) the manner in which the Corporation shall transfer to the Investment Board moneys for investment in securities;

(gg) the manner in which, and the conditions subject to which, investments in securities may be made by the Investment Board;

30 (ggg) the manner in which the Investment Board shall maintain its accounts, the intervals at which such accounts shall be audited, and the form in which the Investment Board shall prepare its balance-sheet and profit and loss account;”.

## STATEMENT OF OBJECTS AND REASONS

Under section 19(2) of the Life Insurance Corporation Act, 1956, an Investment Committee set up by the Corporation advises it in matters relating to the investment of its funds. It is now proposed to entrust the work of investment of the funds of the Corporation to an Investment Board, so that the Life Insurance Corporation may be able to devote greater attention to its primary task of acquiring new business. The Investment Board will consist of the Governor of the Reserve Bank as Chairman, the Chairman of the Central Board of the State Bank and the Chairman of the Life Insurance Corporation as members. On the setting up of the Investment Board, the Investment Committee constituted by the Life Insurance Corporation will cease to exist. The Investment Board will, however, have Advisory Committees at Bombay, Calcutta and Madras, to advise it in respect of investment problems.

The Bill seeks to amend the Life Insurance Corporation Act, 1956, for this purpose. The various clauses of the Bill deal with the constitution of the Investment Board and its functions.

T. T. KRISHNAMACHARI.

NEW DELHI;

*The 23rd August, 1957.*

## MEMORANDUM REGARDING DELEGATED LEGISLATION

The Life Insurance Corporation (Second Amendment) Bill, 1957, provides for the establishment of an Investment Board for the purpose of taking over the functions of the Corporation in relation to the investment of its funds. All procedural matters connected with the transfer of moneys from the Corporation to the Investment Board, the manner in which the moneys so transferred may be invested and the manner in which accounts may be kept and audited, etc., will necessarily have to be regulated by rules, and clause 8 of the Bill seeks to amend section 48 of the principal Act for this purpose. The rule-making power thus sought to be vested in the Central Government is of a normal character.

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M. N. KAUL,  
*Secretary.*

